

Gas tariff reviews commence as energy prices remain at record highs

Following the ongoing and sustained increase in international wholesale fuel prices, we have commenced a review of our two regulated gas suppliers, SSE Airtricity Gas Supply and Firmus Energy.

Since our last review on 1 June, wholesale gas prices have significantly increased. As illustrated in the chart below, wholesale gas prices are again at record highs. Prices in comparison to the same period last year were up 94% in June, 149% in July and greater increases have already been observed during the first half of August. This follows a slight dip in prices towards the end of April and into May, however at this time prices were trading at over three times greater than historic gas prices for that spring period. With wholesale gas prices making up over three quarters of a final consumer bill, these sustained increases in wholesale gas costs have led to a review of gas tariffs.



Drivers of the wholesale gas price increases

International wholesale gas prices have risen sharply across the globe since the latter half of 2021. The increases observed in recent weeks are a direct result of:

- Russia's reduction of gas flows through Nord Stream I pipeline to Europe by 80% and further unplanned outage
- Increased demand for liquefied natural gas (LNG) by Asian and South American countries (diverting supply from USA away from Europe)
- Higher than usual temperatures in Europe
- Outages in the French nuclear power station fleet
- Historic price rises in the US gas market in midst of higher demand and outage at Freeport - USA's biggest terminal
- Outages on gas pipelines from Norway

As a direct result of these international factors, wholesale gas being sold for consumption in winter 2022 was trading at £2.41 per therm on 1 June 2022. By market close on 16 August 2022, it had reached £5.62 per therm. Unfortunately, these increases in wholesale gas price increases will have an impact on consumers bills in Northern Ireland.

We recognise that the impact of these further price increases is another severe blow for consumers. While the underlying causes of these tariff increases are outside our control, we remain focused on doing whatever we can to support consumers in these desperate times. Over the last week, our Chief Executive John French met the Chancellor of the Exchequer and local ministers twice to work together to deliver the £400 of energy bill support scheme to every Northern Ireland household. The timely delivery of this support to local households is critical, and we continue to work with others to find a pragmatic and robust way of getting this money to consumers as soon as possible.

It is also incumbent on us as a regulator, and others across government and industry, to work together to support consumers as winter approaches. For that reason, we have invited government departments, energy suppliers and the Consumer Council for Northern Ireland to meet to look urgently at other practical steps that can be taken to support consumers this winter.

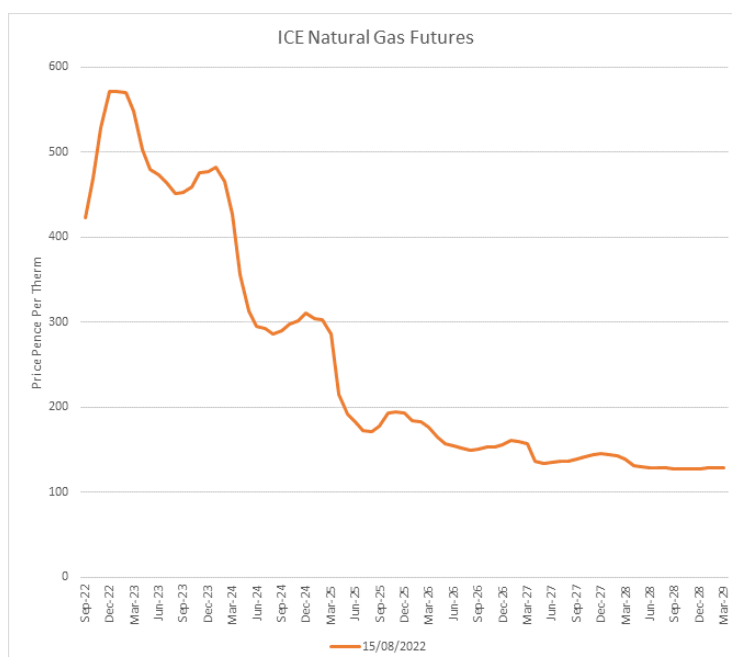
Furthermore, we are using everything in our regulatory toolbox to support consumers. We continue to remind energy suppliers of the need for a sympathetic approach to customers' ability to pay, and of their obligations to avoid customer disconnections and consider other approaches to protecting people in debt.

Consumers who are worried about the impact of these higher prices should always contact their electricity or gas supplier in the first instance, to discuss the options available to them. In addition, there are also a number of agencies who can provide free and independent advice to households, including Advice NI, Christians Against Poverty, and Money and Pensions Service.

The current forward look

The current forecasts for international wholesale gas prices remains stark.

As can be observed from the graph opposite, prices are set to remain high right through 2023 with a drop only observed from 2024. Even after this drop, prices remain significantly higher than market prices prior to the start of the increases observed since the latter half of 2021.



Regulatory models - NI and GB

Price regulation has existed in Northern Ireland since the privatisation of the energy industry. With such a small market, regulation acts as a protection to consumers where there isn't sufficient competition to ensure fair prices, effective service standards and delivery of the necessary development of the market and infrastructure. In many larger markets where there are greater levels of competition, like Great Britain, this end price regulation did not exist until recently.

The GB tariff price cap is Ofgem's approach to price regulation which began in 2019. The cap sets the maximum price for a unit of energy and daily standing charges for customers in Great Britain. Our system of price regulation closely reflects the key market inputs (e.g. fuel costs) and is more responsive to price movements meaning savings can be passed on more quickly than through the price cap. Recognising that the price cap was too slow in responding to market forces, Ofgem recently announced that the price cap would be reviewed quarterly, moving away from their six monthly reviews. The next price cap review is underway and is currently expected to rise to over £3500 per annum in October and up to £4500 in January 2023 for domestic consumers in Great Britain.

Ensuring fair and transparent tariffs is the focus of our approach in Northern Ireland and one that provides reassurance to consumers that they are paying a fair price for their energy. We scrutinise the costs incurred by suppliers and cap profits. We also respond quickly when prices fall to make sure these savings are felt in consumer bills as soon as possible.

We anticipate that tariffs in NI will be lower than the price cap in Great Britain following our ongoing tariff reviews when the new cap is introduced on 1 October. Current tariff comparisons are outlined below.

Area	Electricity	Gas	Total
Belfast and West (Regulated Prices)	£944 (from 1 July)	£1,243 (from 1 July)	£2,187
Ten Towns (Regulated Prices)	£944 (from 1 July)	£1,504	£2,448
GB Price Cap	£1,148	£1,142	£2,290*
Ireland (Most used tariff)	£1,185 (from 1 July)	£1,239	£2,424

* Expected to rise to over £3500 on 1 October 2022

Investing in electricity networks - our NIE Networks price control approach is published

We have a critical role in reviewing and approving investment in utility networks. Through price control reviews, we set the level that utility network providers can invest in the network. In doing so we want to make sure that there is sufficient investment to support the functioning of a modern high-performing network at lowest cost to consumers.

On 6 July we published our approach to the NIE Networks electricity price control review (called RP7). This is an important milestone in the review and sets out our plans for how we will carry out our review.



We also identified a later timeframe for the start of the RP7 price control period, to allow greater stakeholder consultation, which reflected the views of respondents to the consultation on the RP7 approach.

STAFF PROFILE

Greg Irwin

Head of Strategy and Communications/ Board Secretary

I have worked with the UR since 2007 and it's been a real privilege to work with such a talented and committed bunch of people who go out of their way to work on behalf of consumers every single day.

I head up the strategy and communications team. I am also Board Secretary, acting as a conduit between the Board and the leadership team.

As a team we do a lot of things beyond strategy and communications, and being versatile is an essential pre-requisite! Working in a fast paced environment, across a range of stakeholders, on high profile issues, you often lose track of the rhythm of the day, but I get real satisfaction from such a challenging role.

I also have a busy life outside work. I am a voluntary member of the Ulster Rugby management committee, and Chair the Rugby Committee. I have a deep interest in food issues and sit on the NI Food Advisory Committee.



2020-2021 Annual Report published

We recently published our Annual Report 2021/2022. The report provides a comprehensive overview of the last year with our year in summary outlining key developments.

An overview of the activities and actions that we have taken to help deliver on our corporate strategy objectives is also contained in the report. Finally, we set out the steps that we have taken as an organisation to be a best practice regulator.



Annual Report 2021/2022



Consultations/news update

Across the summer we published the following key consultations, decisions and papers. Please click on the link for further details:

- [Consultation on proposed modifications to Condition 5 of electricity generation licences](#)
- [Annual Retail Energy Market Monitoring report for 2021 published](#)
- [Notice of decision to modify Flogas Enterprise Solutions Limited electricity and gas supply licence](#)
- [Decision published on revised gas licence fee methodology for gas storage](#)
- [Final Approach for NIE Networks next price control published](#)
- [Save the Date: Digitisation workshop](#)
- [SONI Evaluative Performance Framework \(EPF\): UR decision on SONI Forward Work Plan \(FWP\) 2021 to 2022.](#)
- [Notice of proposed modifications to Condition 2 \(1\) of electricity generation and DSU generation/supply licences](#)

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